

Where New York Stands: What We Have, What We Spend

By HENRY BRUERE.

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THESE is a persistent and plugging figure of speech that crops up in one or two set forms whenever New York City's finances are discussed. It is, "the city is on the verge of bankruptcy" or "the city is driving headlong into bankruptcy." Then comes temporary excitement, wise and half-wise comment—perhaps a state legislative investigation—and finally public indifference again. As a matter of fact, everybody knows that New York City is not on the verge of bankruptcy, and that its progress is not even in the direction of bankruptcy. But everybody who can and will think about the matter realizes that the city is in need of better and better financial management, and that, considering how the city has been managed a good deal of the time, it is a miracle, perhaps, that things financially with the city are no worse than they are.

Here stands the City of New York, of prodigious resources, suddenly checking itself in the piling up of debt. New York in its awakening finds a net indebtedness within the debt limit on December 31, 1914, of \$748,193,074.14 and debt outside the debt limit for self-sustaining investments in water, docks, subways, etc., of \$315,758,393.28 more. There are, it is true, still to be issued many millions under outstanding authorizations for uncompleted improvements, which in the course of the next year or two will take the form of bonded promises to pay in fifty years. For this reason for several years there may be expected a marked increase in interest, because of the new issues already authorized, and for some time to come appropriations in the tax budget for permanent improvements on the pay-as-you-go plan will make an uncomfortable increase in the tax rate. But out of it all will come security and impregnable financial soundness. New York needs only more of the kind of treatment it has received in the last several years from the hands of its administrators, only more of the kind of persistent attention to expenditures and the details of administration that it is now receiving, and presently the would-be saviors of the city, who see nothing but ruin ahead, will be benefitted of their high mission.

Conscious of great wealth, eager for expansion, urged by taxpayers as well as others to provide adequate equipment for civic use, New York since consolidation has nearly trebled its debt. But it has grown from a city of 3,272,418 to a world metropolis of 5,583,871 people. It is by no means fully equipped yet, but the added equipment of the future will be provided to keep pace with further growth of population and not to make up for the deficiencies of a multitude of inadequately prepared communities forced to metropolitan standards by consolidation.

In the future, when great public improvements are entered into, resulting in increased values of surrounding property, the city will recoup itself for part of the cost through profits made possible by excess condemnation.

In the future the city will have the courage and capacity to utilize its own resources in such a way that there will be adequate return for public capital invested, and profits that belong to the community will come to the community and not to private speculators finding advantage in the incapacity and torpidity of the city. In this new manner of carrying out public enterprises New York will develop to its profit the great Jamaica Bay improvement, that stands as a richly promising opportunity for community enrichment, with both direct and indirect economic advantage to the city as such.

In the future the city will not deliberately choose the most costly way of making improvements or ignore the cost when public funds are being spent. Millions of dollars in the city's gargantuan debt were wrongly or perhaps corruptly spent. But in the years of its accumulation the city has gradually learned how to spend wisely and has recently begun to learn how to conduct its affairs efficiently.

New York should have a concrete city plan. It should estimate each year with the greatest care

The A B C of City Finance, an Explanation of the Relation Between the Average Citizen and the Spending of the New York City Budget--Provident and Improvident Bond Issue Explained by City's Chamberlain.

what new improvements are required and whether these conform to the city plan. The city should make up its mind that improvements cannot be had without cost, and that borrowing only defers and increases the cost, but does not eliminate it.

New York is in for a period of complete disillusionment regarding the economy of putting off until tomorrow the reckoning for great improvements that everybody wants and few desire to pay for. The comforting thought in the situation is that with disillusionment has come a new sense of responsibility, the adoption of a fiscal policy and a consideration by officials of the value of public funds which is unprecedented in the history of the city.

New York is headed not toward bankruptcy, but for the safe paths of fiscal continence and administrative restraint. The Augustan era of city expansion is passed, perhaps, but the era of steady, safe and constructive betterment of the city and its government is definitely at hand.

The task of establishing all the habits of economy in the city—not only among officials and employees, but among taxpayers and citizens in their relation to the city—is only begun. There are a number of hard problems still to be solved. But the responsible city officials happily understand them and are working to solve them. No Napoleonic genius is required, but only goodwill, earnestness and intelligence. These the city government possesses. No legislative committee nor any scolding agent of taxpayers can help the city solve its financial problems. There is only one way to solve them. That is by strict adherence to an intelligently formulated policy and the vigorous pushing ahead of the great number of administrative improvements which are now begun or recognized as needed.

Some of those most closely related to the financial conditions of the city, and which taxpayers will do well to follow, are the following:

Development of a city plan.

Formulation of a public improvement programme for one, two or three years.

Development of available resources of the city, such as Jamaica Bay.

Establishment of a definite programme of upkeep and replacement for existing city properties.

Cutting down temporary borrowing by advancing the date of tax collection from May to February or January.

General reconstruction of the city government along efficient business lines, a task that would be greatly facilitated by adequate home rule powers.

If New York City had no long term debt its tax rate would be about \$1.30, and no one would be discussing the city's finances except to marvel at their reasonable proportions.

Please clear the three general classes of city expenditure:

1. Operating expenditures stated in the budget and provided for from taxes and miscellaneous revenues.

2. Local improvements generally paid for by local assessments.

3. City improvements paid for out of the proceeds of city bonds.

These three divisions are only separate in logic, not in fact.

Some of the local improvement cost is levied against the entire city and finds its way into the annual budget. Until assessments are paid city bonds issued to pay for the improvements pending collections are charged up as part of the city debt. All the city improvement cost for non-self-sustaining purposes finds its way into the annual expense bill either by diverting revenues to sinking funds that might otherwise go to decrease taxes or by adding a new formidable item to the budget for so-called debt service—namely, interest and instalments on the city debt.

Expressed in simple figures, if the city's annual expenditures were \$1,000,000 (instead of the \$270,

000,000 they are in fact), on the present basis (1914 experience), \$556,000, or 55.6 per cent, would have been raised by taxes; \$240,000, or 24 per cent, would have been raised by loans; \$204,000, or 20.4 per cent, would have been received in miscellaneous revenues.

In the spending \$595,000, or 59.5 per cent, would have gone for all purposes of the city and county government except debt service and education; \$187,000, or 18.7 per cent, for education; \$237,000, or 23.7 per cent, for debt service.

When taxpayers cry out anxiously against a raising tax rate they are making a belated protest against earlier authorizations to incur indebtedness.

The debt charge is the largest single item in the budget. Its growth is chiefly responsible for the discomfort of taxpayers. These figures tell the story: From 1904 to 1914 the funded debt grew from \$534,954,131.62 to \$1,065,411,243.84, or 99 per cent. The population of the city grew from 3,901,023 to 5,583,871, or 43 per cent. The assessed valuation of taxable real estate grew from \$5,015,463,779 to \$8,049,859,912, or 60 per cent.

Corresponding with the growth of the debt, the annual debt service charges for long term bonds have increased from \$21,780,000 in 1904 to \$46,

Average annual amount of new debt authorized in the second McClellan administration, 1906-1909, inclusive, \$102,417,320.37.

Average annual amount of new debt authorized in the Gaynor administration, 1910-1913, inclusive, \$87,961,998.48.

Amount of new debt authorized in the Mitchell administration, 1914, \$14,694,670.48.

The city debt will not immediately stop growing in the degree suggested by the 1914 figures, because previous authorizations to incur debt have still to mature in bonds actually issued. These unfulfilled authorizations relate chiefly to the new rapid transit development.

In order to lay down a policy for financing public improvements which would not keep New York City constantly in the market for long term loans, and through successive large issues continually depreciate holdings of earlier issues, the city, at the suggestion of its bankers, adopted in the fall of 1914 a new plan of paying for its equipment. Under this plan only revenue producing improvements (rapid transit, docks, railways and water terminals and water supply) will be paid for with the proceeds of 50-year bonds.

All non-revenue producing improvements au-

sum of bonds that would have been issued under the old policy to pay for improvements. And so this goes on until the savings in interest finally, in about 20 years, aggregates the full amount of the annual appropriation, which I am assuming for purposes of illustration does not vary. After this time the annual interest saving will represent a net reduction in the budget. The present generation in carrying the city's great debt bears the burden past generations committed to posterity. It will have the satisfaction of realizing, however, that it is willing no such heritage to the next generation, but, on the contrary, a practically debt free city, ready for the splendid destiny that the next 50 years surely has in store for it.

The embarrassment of this new plan, which Mayor Mitchell calls the pay-as-you-go plan, occurs in the first years of its operation until the declining interest charge equals or overtops the amount of the annual improvement budget.

This change in the city's fiscal policy is purely voluntary, and not being required by law will be subject to modification by succeeding administrations. There is, however, a sound principle underlying the plan, though expediency presented by the emergency arising on the outbreak of the war and not principle determined it. Once the principle becomes clearly established succeeding administrations will not be easily tempted back into the fatal comfort of postponing until the future the cost of present improvements.

Many of these assets are inextinguishable, such as parks and streets. Others are transitory and will need to be replaced. Heretofore when a school needed replacing new bonds were issued. In other words, the school was made to represent a permanent debt, since bonds issued for the original school to be replaced were generally scarcely paid when the new school was acquired. The city in this way was kept continually in debt for and never in unqualified ownership of its properties.

Under the new plan it will be reasonable to appropriate each year a sum sufficient to replace outworn equipment included in the city's capital or working facilities account. These appropriations may either be spent immediately for new equipment or set aside as a reserve against depreciation, to be spent when disrepair or obsolescence makes replacement necessary. In this way from generation to generation there will be kept intact the city's accumulated working facilities, its school houses, fire and police stations, hospitals, bridges, etc.

To arrive at a proper determination of the annual replacement needs two things must be done. The city must have an engineering appraisal made of its deteriorating properties to determine their probable life. It must estimate the rate of the deterioration through use or obsolescence, in excess of the restorations made through repairs. Secondly, it must determine on a definite policy of repair and upkeep, so that properties purchased for the benefit of several generations may not be consumed within the space of a single generation by negligence in maintenance.

An alternative plan is to leave to each year the determination of that year's needs. This is easier, but probably more costly in the end. Just as the present city debt grew through the cheerful habit of officials and taxpayers of failing to look forward to the accumulation of oppressive interest demands, so demands for new facilities to replace the outworn will come in irregular and inconvenient times, unless by foresight and intelligence they are provided for in anticipation.

These charges for repairs and replacements of existing facilities, both from the standpoint of good management and convenient financing, should be included in the annual expense budget, and paid for out of current revenues, each year's charges out of the income for that year.

Then comes the extension to plant for non-revenue producing purposes. New schools for new population, new facilities of various kinds to



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meet the city's growth. In such cases I favor the provision of funds by the issue of serial bonds, the span of the series corresponding roughly to the probable life of the improvement. As a matter of interest saving an arbitrary maximum of twenty-five or thirty years might be set.

Bear in mind that I am heartily in favor of applying the brakes vigorously at this time of economic stress and until the habit of frugal use of credit is acquired and the practice becomes second nature of giving the same meticulous attention to proposed new improvement authorizations that is now increasingly given to current expenditure appropriations. For several years to come the city will not suffer from confining its new improvements within the limits of its ability and willingness to pay for them out of hand. On the contrary, it will find ways of using its present equipment more advantageously, as Superintendent Wirt is demonstrating so convincingly in the more intensive use of school buildings. But I am discussing, for the moment, a permanent policy to be followed when the city is wholly recovered from the seeming mania for incurring indebtedness from which it has suffered since consolidation.

Then, finally, for the purpose of this means complete and necessarily hurried discussion, come improvements of the so-called sustaining variety, including water supply, docks and subways. Where the outlays for facilities of this character result in revenues sufficient to pay the interest and sinking fund charges on bonds issued to provide them, it is good policy to utilize the city's credit in order to spread the burden of the expenditure over the longest period justified by the nature of the undertaking. The enterprise and not the taxpayer (except as he contributes to the revenues of the enterprise as a beneficiary) provides the means of repayment and carrying charges.

The propriety of using the credit of the city for these undertakings is recognized in the financial policy adopted by the city in the autumn of 1914.

With the present conservative policy of utilizing only the most urgent necessities in the way of additional public improvements, the city has definitely turned toward a steady contraction of its permanent indebtedness. In this period of transition from a credit to a cash basis, the city will be afforded for the development of a permanent financial policy looking to proper growth, and an intelligent limitation on the debt burden of the city.

This Is What We, as Tax-Payers Owe

In round figures, the principal items going to make up the gross funded indebtedness of the City of New York on December 31, 1914, are the following:

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| Water Supply..... | \$ 215,000,000 |
| Streets, Highways and Trunk Sewers..... | 154,000,000 |
| Rapid Transit..... | 130,000,000 |
| Schools and Sites..... | 123,000,000 |
| Docks and Ferries..... | 120,000,000 |
| Bridges..... | 113,000,000 |
| Public Buildings..... | 101,000,000 |
| City Parks and Places..... | 62,000,000 |

\$58,000 in 1914. This is an increase of 114 per cent. In this time the next largest item in the budget, the educational appropriation, has grown from \$20,913,000 to \$38,203,000, or 83 per cent. The richest opportunity for economy lies in the item for debt charges.

Here it is, as plain as any financial fact can be made. The constantly, almost torrentially advancing item in the city's annual expenditure is the debt service item. The items above stated are moreover merely for interest on and redemption of long term borrowings and do not include the redemption of temporary borrowings anticipating taxes or making up deficiencies in current appropriations.

In the figures above given showing the growth of the funded debt I did not set out separately the debt incurred for non-revenue producing purposes. This aggregated on December 31, 1914, \$562,688,631.95, with annual interest and sinking fund charges of over \$25,000,000.

To keep the budget within endurable proportions the immediate problem of the city government is to check the debt service charges. There is only one way to check them, and that is by stopping the incurrence of added debt. On this course the present administration has determined. If the course is followed for several years the situation will have been relieved and the pressure on taxpayers for the repayment of borrowed funds considerably lessened. In proof of the actual adoption of the new practice by the government in regard to the assumption of further indebtedness are the following figures:

thorized during 1915 are to be financed three-quarters by fifteen-year corporate stock and one-quarter by one-year bonds payable from the 1915 tax budget; those authorized during 1916 are to be financed one-half by fifteen-year corporate stock and one-half by one-year bonds payable from the 1917 tax budget; those authorized during 1917 are to be financed one-quarter by fifteen-year corporate stock and three-quarters by one-year bonds payable from the 1918 tax budget; those authorized during 1918 and subsequent years are to be paid for wholly from the annual tax budget.

As a result of this policy two things will happen for the ultimate relief of taxpayers. The amount of improvements authorized will be notably reduced. A saving of significance will be made in interest charges on funds paid out of pocket instead of borrowed as heretofore. But for the present the new policy will force tax bills higher.

If the authorizations of new improvements were to continue in the same amount as heretofore (reductions for the time being are certain) the annual budget would be increased in 1916 by one-quarter of the amount of these authorizations and by the full amount when the plan is in complete operation. Offsetting this increase would be the reduction in interest charges saved by paying outright for improvements instead of borrowing for them. In the first year this saving would be only the amount of interest on the sum included in the budget for that year. But that first year's saving continues during each of the following fifty years. In each succeeding year a like saving in interest is made on a presumably like

Labor's Billy Sunday Finds Peaceful Methods Flabby

Here to Raise Funds for Men Implicated in the McNamara Case, Anton Johanson Says: "It's Very Few Coins You'd Get if You Got No Money from Any One Who Didn't Believe in Force."

FOR the labor movement "der tag" is nearly here. Labor feels strong. There is a new and lustier note in the labor side of the class war.

Anton Johanson, of San Francisco, general organizer of the United Brotherhood of Carpenters and Joiners of America, who is here collecting money from unionized New York for the defence in September of Matt A. Schmidt and David Caplan on charges of murder growing out of the McNamara dynamite cases, spells it clearly.

There is no hesitation in him. He is the Billy Sunday of the labor movement. His vocabulary is as florid, his enthusiasm the big, one-sided sweep of the evangelist and his smile, "the red smile of the labor world," as broad and as sure as a captain's of Irish Horse. He feels right. He feels big. He likes the smashing proving up of the labor side, and when he says that the McNamaras are bound to have their sentence commuted before two years are up you know what he means.

He means that the day of labor squirming, apologetic for force, unwilling to recognize "good soldiers" whose methods were not the methods of the weak and uncourageous, has a new cue. Labor is ready to stand by and back to the bottom dollar, irrespective of method, the labor men who stay on the "right side," who keep the "point of view" to the end and never lose sight of the social trust when personal advantage might take them across to capital's side.

Night after night he is telling the story of Caplan and Schmidt with his Billy Sunday fervor. But it isn't always what he says. The hinterland of his implications is where the land of battle lies.

Of force—where does he stand on it? Is he asking the fund that shall free Schmidt and

Caplan from labor men who believe in it, force and just that with an out and out declaration?

"Oh, look here," he says; "it's very few coins you'd get if you got no money from any one who didn't believe in force. I don't go around asking anybody to back up dynamite. That's no way to talk. But the point labor's come to is that all that is beside the point. It's just another way of dodging the issue that the employers put over. The race is to the strong, and if you're right you haven't got any right not being strong."

"I can sit down and tell you the story of what lies behind that dynamiting campaign that shocks you so, and you can draw your own conclusions. Don't ask me whether I think it paid. Don't ask me whether it was right or wrong. Don't ask me to talk about whether force is this or that."

"But what I know is this: that the Steel Trust in 1901 started things. They made the move, for what they decided to do was eliminate trade unionism from their industry."

"And they did it, too, to all the unions there but one, and that one was the Structural Iron Workers under J. J. McNamara's administration."

"When they made that ruling there were 260,000 steel men working twelve hours a day, Sunday and all, for 365 days in the year and in leap year 366, at an average wage of \$499 a year. The statistics aren't labor's. They are from the Stanley committee of Congress."

"It was four years afterward, in 1905, that the iron workers' convention in Philadelphia declared a boycott on the National Erectors' Company and the war was on from coast to coast."

"During J. J. McNamara's time the iron workers grew strong. The union grew from a

membership of 7,000 to 14,000, and the eight-hour day went all through the trade and wages went from \$2.30 for nine hours to \$4.30 for eight. And that same union to-day is in a better condition than it has ever been."

ANTON JOHANSON.
General Organizer of the United Brotherhood of Carpenters and Joiners of America.

I won't say force is what did it. And yet!" From every line of the face, from the straight-from-the-chest voice, if you listen, you draw your own conclusions.

Anton Johanson, Joe Johanson, as he's called the country over, "sees big." He is the spirit of labor as Hutchins Hapgood saw it when he wrote Johanson's life a few years ago under that very title, "The Spirit of Labor."

Certain chapters of his history are worth recalling. No one put up a harder fight against Skinny Madden in the old Chicago Federation of Labor fight to get itself out from Madden's crooked political toils. Nobody cursed Madden harder nor with more telling sarcasm from the floor of the federation elections, and nobody ever came around with a fairer bit about Madden on the side.

He was talking to Hapgood on the old new subject: Where does the fight begin?

"I don't see that Skinny is such a bad one," he said. "Arrangement for violence are never made in the committees or in the meetings, but only when two or three gather together, and the rank and file and the lily whites know nothing about it. I have sometimes persuaded sluggers not to slug, for I am a philosophical anarchist and do not believe in violence on principle."

"But people in general believe in force. If the laborers controlled the government they would not employ slugging, which is now the only force they have. They don't call the Boston Tea Party a strike, but it was violence and against the law. There are only two things—genuine humanity and virtue, on the one hand, and force on the other. All the rest is hypocrisy and graft."

To repeat, it isn't so much what Johanson says as the way he says it, with a vitality that

reaches and seizes, that has its roots in a soil of tropical sincerity. He is so tremendously open at all pores, whether he is talking about the straight narrative of labor organizing or thrilling to some philosophical theory. He has a power of dramatizing that great majority, "the rank and file." The pitfall of the labor leader, scorn for the slow wits and bound imagination of deadened labor and the tenacity with which your working man so often clings to a prejudice have never been Jo Johanson. Not because it hasn't been his to deal with men who saw no further than their noses, the particular extra dollar a week of their own union in their own strike. Not that he hasn't found labor as dull to the gleaming gold of social vision as many a capitalist. His life has been full enough of all that. But the man is dramatic. He can't see things any other way. The tame, unseasoned point of view, a little good on one side, faults on both sides, labor not altogether right and reasonable—all the stodgy quality of age or a compromising nature have found no lodgment with him.

"With every strike, with every fight where men come together and pull for a better standard all around, some of that social vision comes to one or two who go through with it, and if it were only the one or two who come into a bigger sense of things one can say the fight was worth it."

Johanson never feels that things are not worth while. Always the great, unwieldy mass of people, the grimy, tired ones of the world, loom up before him as the kindly fighting giant of the future whose brawny arm shall wring from capital its share so long withheld. His way of looking at the war is typical.

"All right," he says. "It's a good enough thing. To be sure, they die by the hundreds

of thousands, but what has a working man to live for anyhow? They might as well die fighting for what they are fighting for, and maybe they'll learn to exert their force for things for themselves and for the working men of all nations."

"Perhaps they'll learn to wrench themselves free? Oh, yes," he says, "education and the Church and all that. What do any of the agencies that capital has at its call to teach men to be meek and peaceful underdogs amount to? I don't put any faith there. If men were different, maybe. But the one big thing is the labor movement, where the game is to stick to one side and never give up fighting."

It doesn't matter that this militant man couldn't hurt a child. It doesn't personally happen to be the sort of thing that he can do, but the way he can charge an argument and pound backbone into a broken strike is the whole spiritual content of good soldiering. He thinks it craven to give in. For labor is right. He doesn't merely believe. He absolutely knows. It is an obsession.

"Tell you what," said Lincoln Steffens to him once on the Pacific Coast. "You, too, should be indicted for murder looming up behind these men. And you should plead guilty. And emotional insanity should be your defence. What evidence, Johanson, what evidence we could bring in? The bitter end of strikes unfairly won, the long story of starving honest labor, the agony of unemployed millions through years, the whole of life for millions of the people unutterably debased. There's enough around to prove to any man that if you're insane there was good cause for it all. What a trial, Johanson, what a newspaper story!"